

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 AGRE-00 L-03

DODE-00 PM-05 H-01 NSC-05 PA-01 PRS-01 SS-15

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R 010113Z AUG 77

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 5967

INFO AMEMBASSY BANGKOK

CINCPAC

AMEMBASSY PARIS

USLO PEKING

AMEMBASSY STOCKHOLM

AMEMBASSY VIENTIANE

C O N F I D E N T I A L HONG KONG 8921

CINCPAC FOR POLAD

EO 11652: XGDS-2

TAGS: EAID, ECON, ENRG, FR, SW, US, VM

SUBJECT: VIETNAMESE ECONOMIC CONDITIONS

SUMMARY: A WESTERN OBSERVER, RESIDENT IN HANOI, PRIMARILY CONCERNED WITH COMMERCIAL MATTERS PROVIDED THE FOLLOWING COMMENTS ON GENERAL ECONOMIC CONDITIONS IN VIETNAM TO CONGENOFF AND TO A HONG KONG BUSINESSMAN. TOPICS DISCUSSED INCLUDED THE ACUTE FOOD SHORTAGE IN VIETNAM, THE SIGNING OF PRELIMINARY OIL EXPLORATION AGREEMENTS WITH FOUR WESTERN OIL FIRMS AND A REPORT THAT VIETNAM HAS RESERVED SOME AREA FOR UNITED STATES OIL FIRMS. END SUMMARY.

1. FOOD SHORTAGES

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BECAUSE OF RECENT CROP FAILURES, VIETNAM IS FACING AN ACUTE FOOD SHORTAGE. ESTIMATES OF DEFICITS RUN FROM 1 TO 1.5 MILLION TONS OF FOODGRAINS. SHORTAGES ARE FELT THROUGHOUT THE COUNTRY. ONE FOREIGN TECHNICIAN ENGAGED IN TRAINING VIETNAMESE REPORTEDLY FED HIS TRAINEES WITH FOOD BOUGHT WITH HIS OWN FUNDS. ALTHOUGH THERE IS HUNGER, FOOD DISTRIBUTION IS CARRIED OUT

EFFICIENTLY AND THERE ARE NO REPORTS OF STARVATION.
DESPITE THESE SEVERE SHORTAGES THERE DOES NOT APPEAR
TO BE ANY FOOD MOVING INTO VIETNAM FROM CHINA.

2. OIL EXPLORATION

PRELIMINARY EXPLORATION AGREEMENTS HAVE BEEN SIGNED
WITH FOUR WESTERN
FIRMS, ELF (FRENCH), AGIP (ITALIAN),
DEMINEX (GERMAN) AND ONE NORWEGIAN FIRM. SUPPLY CENTERS
FOR ELF AND AGIP WILL BE LOCATED AT VUNG TAU AND REPRESENTATIVES OF THOSE FIRMS ARE EXPECTED TO RETURN TO
VIETNAM IN OCTOBER FOR FURTHER TALKS WITH THE VIETNAMESE.
THERE IS CONSIDERABLE DISSATISFACTION AMONG THE OIL
COMPANIES WITH THE KIND OF SUPPORT THE SRV IS OFFERING
TO PROVIDE. DEMINEX REPRESENTATIVES WERE REPORTEDLY
INFORMED BY THE VIETNAMESE THAT THERE WERE SOME AREAS
IN THE SOUTH CHINA SEA BEING RESERVED FOR AMERICAN OIL
COMPANIES.

3. FRENCH INVESTMENT

THE SRV HAS AGREED TO INDEMNIFY FORMER FRENCH PRIVATE
INVESTORS IN VIETNAM ABOUT 80 MILLION FRANCS. (ONE
FRENCH OFFICIAL REPORTEDLY ADMITTED THAT THE REAL
VALUE OF THE FRENCH INVESTMENTS DID NOT EXCEED THIS
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AMOUNT.) THE FRENCH COMMUNIST PARTY - CONNECTED
FIRM, IPI, BORROWED DM 100 MILLION ON BEHALF OF
VIETNAM IN 1976 AND IS ATTEMPTING TO RAISE AN
ADDITIONAL DM 50 MILLION THIS YEAR. IPI IS SAID
TO HAVE ALREADY PROVIDED DM 50 MILLION OF ITS OWN
FUNDS.

4. FOREIGN INVESTMENT CODE

THE VIETNAMESE HAVE NOT ATTEMPTED TO PUBLICIZE THEIR
NEW INVESTMENT CODE ALTHOUGH COPIES OF THE CODE ARE
AVAILABLE IN HANOI. THERE HAVE NOT BEEN ANY
INDICATIONS SO FAR OF ANY FIRM INTERESTED IN NEGOTIATING
AN AGREEMENT UNDER THE CODE, ALTHOUGH SOME DISAGREEMENTS
OVER FORMER FRENCH INVESTMENTS WERE REPORTEDLY RESOLVED
BY CONVERTING THE ASSETS INTO A "JOINT VENTURE" WITHIN
THE TERMS OF THE CODE. (COMMENT: THE VIETNAMESE MAY
BE WAITING FOR THE COMPLETION OF TECHNICAL REGULATIONS
FROM THE FOREIGN TRADE, FINANCE AND LABOR MINISTRIES
BEFORE MAKING THEIR PUSH.)

5. SWEDISH AID

THE SWEDISH BAI BANG PAPER MILL WHICH WAS ORIGINALLY
ESTIMATED TO COST 1 BILLION KRONER IS NOW EXPECTED TO
COST 50 PER CENT MORE BY THE TIME THE PROJECT IS
COMPLETED IN "THE EARLY 1980'S." THE SWEDISH
GOVERNMENT HOPES AT SOME POINT TO ESTABLISH A
CONSULATE IN SAIGON TO LOOK AFTER ITS AID AND
COMMERCIAL INTERESTS.
CROSS

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